

Message Text

LIMITED OFFICIAL USE

PAGE 01 HELSIN 01545 01 OF 02 081503Z

44

ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

DOT-00 INR-11 NSAE-00 RSC-01 FAA-00 PM-07 H-03 L-03

NSC-07 PA-04 PRS-01 SP-03 SS-20 USIA-15 OMB-01 CIEP-03

TRSE-00 DRC-01 /126 W

----- 005992

R 081400Z AUG 74

FM AMEMBASSY HELSINKI

TO SECSTATE WASHDC 7725

INFO AMEMBASSY BERN

AMEMBASSY COPENHAGEN

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

LIMITED OFFICIAL USE SECTION 1 OF 2 HELSINKI 1545

E.O. 11652: N/A

TAGS: EAIR, US, FI

SUBJECT: FINNAIR PRESSING FOR CONTINUATION OF LOW
CHARTER RATES TO US

1. SUMMARY. FINNAIR INTENDS TO VOTE AT MONTREUX AIR-
LINES MEETING AGAINST PROPOSED NEW MINIMUM CHARTER
RATES ON THE NORTH ATLANTIC, IN RESPECT TO TRAFFIC
ORIGINATING IN FINLAND. IT CAN ACCEPT PRICE LEVELS
TENTATIVELY DISCUSSED FOR TRAFFIC ORIGINATING IN U.S.
MORE THAN 50 PERCENT OF FINNISH TOURISTS TO U.S.
TRAVEL AS GROUP AFFINITY CHARTERS. PROPOSED RATE,
77 PER CENT HIGHER THAN PRESENT ONE, WOULD REDUCE
NUMBER OF CHARTER PASSENGERS BY 65 PER CENT. FINNAIR
PROPOSES A COMPROMISE, UNDER WHICH IT WOULD ACCEPT THE
PROPOSED HIGHER RATES, IN RETURN FOR A BILATERAL
AGRREMTN WITH U.S. CALLING FOR REDUCTION OF 25 TO 35
PERCENT IN PRESENT AFFINITY GROUP FARES ON FINNAIR'S
SCHEDULED SERVICES FROM HELSINKI TO NEW YORK. END
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 HELSIN 01545 01 OF 02 081503Z

SUMMARY.

2. ACTION REQUESTED: WE WOULD APPRECIATE RECEIVING U.S. REACTION TO FINNISH "COMPROMISE" PROPOSAL OUTLINED IN PARA 7 AND IN LAST FOUR SENTENCES OF PARA 8 ELOW.

3. AT A MEETING ON AUGUST 7 REQUESTED BY FINNAIR OY, WHICH IS APPROXIMATELY 3/4 OWNED BY THE FINNISH GOVERNMENT, MANAGING DIRECTOR GUNNAR KORHONEN INFORMED ECONOMIC COUNSELOR THAT FINNAIR REGRETFULLY WOULD BE FORCED TO VOTE AGAINST PROPOSED HIGHER MINIMUM CHARTER RATES BETWEEN FINLAND AND THE UNITED STATES AS FAR AS AFFINITY GROUP CHARTERS ORIGINATING IN FINLAND ARE CONCERNED. THIS ACTION WOULD BE TAKEN AT MEETING RESUMING ON AUGUST 9 IN MONTREUX OF MOST AIRLINES ACTIVE ON NORTH ATLANTIC ROUTES, BOTH SCHEDULED IATA AIRLINES AND NONSCHEDULED CHARTER AIRLINES. HE SAID THAT HE INTENDED AS SOON AS POSSIBLE TO MAKE SAME REPRESENTATIONS TO AMBASSADOR KREHBIEL, AT PRESENT ON LEAVE OUTSIDE FINLAND.

4. MR. KORHONEN EMPHASIZED THAT FINNAIR AND, BY IMPLICATION, THE FINNISH GOVERNMENT, REALIZED THAT FAILURE TO AGREE ON NORTH ATLANTIC CHARTER RATES MIGHT LEAD ULTIMATELY TO AN UNRAVELLING OF THE WHOLE IATA FARE STRUCTURE. HE SAID, HOWEVER, THAT THE MATTER WAS OF SUCH PRIME IMPORTANCE TO FINNAIR AND TO FINLAND THAT COMPANY COULD NOT ACT OTHERWISE. THE PROPOSED RATE OF 3.95 US CENTS PER SENT MILE WOULD REPRESENT AN INCREASE OF 77 PERCENT OVER PRESENT PRICE. JUMP IN CHARTER FARES OF THIS MAGNITUDE, HE SAID, WAS COMPLETELY UNACCEPTABLE. IT WOULD HAVE THE EFFECT, ACCORDING TO FINNAIR STUDIES, OF REDUCING SUCH TRAVEL TO UNITED STATES BY AT LEAST 65 PER CENT AND WOULD UNDO YEARS OF PATIENT AND EXPENSIVE WORK IN DEVELOPING PRESENT LEVEL OF FINNISH CHARTER FLIGHTS TO UNITED STATES. IT WOULD ALSO CALL INTO QUESTION FINLAND'S EQUIPMENT PURCHASE PROGRAM WHICH IS MAINLY TIED TO U.S. AIRCRAFT. FOR INSTANCE, FINNAIR MIGHT NOT GO FORWARD WITH ITS PURCHASE OF TWO DC-10 AIRCRAFT, TO GO INTO SERVICE NEXT YEAR, IF TRAFFIC POTENTIAL TO THE UNITED STATES WERE TO BE REDUCED SO SHARPLY.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 HELSIN 01545 01 OF 02 081503Z

5. MR. KORHONEN ALSO POINTED OUT THAT, BECAUSE OF FINLAND'S POSITION AS A MEMBER OF THE FREE WORLD BUT WITH A NECESSARY SPECIAL RELATIONSHIP WITH THE SOVIET UNION AND EASTERN EUROPE, OPPORTUNITIES PRESENTED TO FINNS, EVEN THOSE IN LOWER INCOME BRACKETS, TO VISIT AMERICA ARE EXTREMELY USEFUL. THE CHARTER PROGRAMS AT LOW COST ORGAINIZED BY THE FINNISH-AMERICAN SOCIETY AND

VARIOUS OTHER GROUPS IN FINLAND WERE EXTREMELY VALUABLE OFFSET TO THE MANY OPPORTUNITIES, INCLUDING INEXPENSIVE ALL-INCLUSIVE AIR TOURS TO EASTERN EUROPE, WHICH EXIST FOR CONTACT BETWEEN FINNS AND SOVIETS/EASTERN EUROPEANS. HE FELT THAT MANY FINNS, IF PRICED OUT OF TRAVEL TO THE UNITED STATES, MIGHT WELL USE THEIR TRAVEL FUNDS AND VACATION TIME TO VISIT EASTERN EUROPE INSTEAD.

6. HE EMPHASIZED THAT, WHILE THERE MAY BE A CERTAIN LOGICAL AND LEGAL BASIS FOR THE IDEA THAT FARES FOR CHARTERS ORIGINATING IN THE UNITED STATES TO EUROPE AND THOSE ORIGINATING IN EUROPE TO THE UNITED STATES SHOULD BE THE SAME, IN PRACTICE SUDDEN SHIFT FROM PRESENT FARES TO FARES 77 PER CENT HIGHER WOULD BE CATASTROPHIC IN RESPECT TO FINNISH TRAVEL TO THE UNITED STATES. HE POINTED OUT ALSO THAT AVERAGE INCOME OF FINNS IS MUCH LOWER THAN THAT OF AMERICANS AND ALSO LOWER THAN THAT OF ITS FELLOW NORDIC NATIONS. LOW AIR FARES ARE NECESSITY FOR MANY FINNS WHO OTHERWISE COULD NOT THINK OF VISITING THE UNITED STATES. AS A PRACTICAL ARGUMENT AGAINST THE NEED FOR CONSISTENT PATTERN OF NORTH ATLANTIC FARES AFFECTING ALL OF EUROPE, HE POINTED OUT THAT IN FINNAIR'S VIEW THE EXISTENCE OF LOWER FARES ON MILEAGE BASIS FROM HELSINKI TO UNITED STATES WOULD NOT RESULT IN A DIVERSION OF PASSENGERS FROM OTHER EUROPEAN AIRLINES SINCE, BECAUSE OF FINLAND'S GEOGRAPHIC LOCATION, IT WOULD NOT BE ECONOMIC FOR TRAVELERS FROM OTHER EUROPEAN COUNTRIES TO COME HERE TO TAKE ADVANTAGE OF LOWER FARES TO AMERICA.

7. MR. RISTO OJANEN, VICE PRESIDENT FOR SALES OF FINNAIR, WHO WAS PRESENT AT THE MEETING, SAID THAT THERE WAS A POSSIBLE COMPROMISE ARRANGEMENT UNDER WHICH FINNAIR COULD LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 HELSIN 01545 01 OF 02 081503Z

ACCEPT HIGHER CHARTER RATES TO AMERICA IF RATES ON SCHEDULED SERVICES FROM HELSINKI TO NEW YORK COULD BE SUBSTANTIALLY LOWERED, BY SOME 25 TO 35 PER CENT OF THE PRESENT AFFINITY GROUP FARES. THIS WOULD COUNTERACT TO A CONSIDERABLE EXTENT THE NEGATIVE EFFECT ON FINNISH TRAVEL TO THE UNITED STATES WHICH WOULD RESULT FROM THE ENVISAGED 77 PER CENT INCREASE OF CHARTER RATES.

8. THE TEXT OF A TALKING POINTS PAPER HANDED TO THE ECONOMIC COUNSELOR AT THE MEETING WITH FINNAIR OFFICIALS IS GIVEN BELOW.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 HELSIN 01545 02 OF 02 081451Z

44

ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

DOT-00 INR-11 NSAE-00 RSC-01 FAA-00 PM-07 H-03 L-03

NSC-07 PA-04 PRS-01 SP-03 SS-20 USIA-15 OMB-01 CIEP-03

TRSE-00 DRC-01 /126 W

----- 005816

R 081400Z AUG 74

FM AMEMBASSY HELSINKI

TO SECSTATE WASHDC 7726

INFO AMEMBASSY BERN

AMEMBASSY COPENHAGEN

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

LIMITED OFFICIAL USE SECTION 2 OF 2 HELSINKI 1545

QUOTE. THE SCHEDULED AND SUPPLEMENTAL AIRLINES ARE NEGOTIATING A COMMON AGREEMENT RE MINIMUM CHARTER RATES ON NORTH ATLANTIC. THE PRICE LEVELS, SO FAR TENTATIVELY DISCUSSED, DO NOT PRESENT FOR FINNAIR ANY SPECIAL DIFFICULTIES AS FAR AS US ORIGINATING TRAFFIC IS CONCERNED. THE PROPOSED LEVEL (US CENTS 4.1 PER SEAT MILE) REPRESENTS AN INCREASE OF ABOUT 24 PER CENT ON FINNAIR'S TODAY'S RATES, AND THAT IS STILL JUSTIFIED AND MARKETABLE. HOWEVER, FOR TRAFFIC ORIGINATING IN FINLAND, THE PROPOSED LEVEL (US CENTS 3.95 PER SEAT MILE) WOULD MEAN A HUGE INCREASE OF 77 PER CENT TO THE PRESENT PRICE AND THAT IS TOTALLY UNACCEPTABLE. TRADITIONALLY THE PRICES FROM FINLAND AND ALL EUROPE HAVE BEEN SO MUCH (ABOUT 30 PER CENT) LOWER THAN THOSE FROM THE USA, THAT IT IS IMPOSSIBLE TO BRING THEM AT ONCE TO ALMOST AN EQUAL LEVEL. THE CURRENT CHARTER SEAT PRICE HELSINKI-NEW YORK ROUNDTRIP IS ABOUT FM 750,- AND THE PROPOSED LEVEL WOULD BE ABOUT FM 1320,-. IT IS HIGHLY DOUBTFUL WHETHER THE FINNISH PRICE CONTROL AUTHORITIES WOULD EVER APPROVE SUCH AN INCREASE AND EVEN

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 HELSIN 01545 02 OF 02 081451Z

IF APPROVED IT WOULD RESULT IN DRASTIC REDUCTION IN THE NUMBER OF TRAVELLERS FROM FINLAND TO USA. THIS KIND OF REDUCTION IN CHARTER OPERATIONS WOULD COMPLETELY CHANGE THE ECONOMIC PLANS AND FORECASTS, UPON WHICH FINNAIR HAS BASED ITS AIRCRAFT ORDERS FROM THE USA. IT WOULD BE NECESSARY TO RE-EVALUATION FINNAIR REQUIREMENTS IN THIS RESPECT. ON BASIS OF THE ABOVE FINNAIR HAS TO VOTE NEGATIVELY IN RESPECT TO THE PROPOSED MINIMUM CHARTER RATES AS FAR AS AFFINITY GROUP CHARTERS ORIGINATING IN FINLAND ARE CONCERNED. THE VOTING WILL TAKE PLACE IN A MEETING STARTING IN MONTREUX ON AUGUST 9, 1974. FINNAIR WOULD NOT NECESSARILY PRESS FOR LOW CHARTER RATES IF IT COULD SATISFY THE NEEDS OF THE TRAVELLERS BY OFFERING THEM LOW GROUP FARES ON ITS SCHEDULED SERVICES FROM HELSINKI TO NEW YORK. THE ONLY WAY TO ACHIEVE THIS WOULD BE A BILATERAL AGREEMENT BETWEEN THE CIVIL AVIATION AUTHORITIES OF THE BOTH COUNTRIES. IT WOULD MEAN A REDUCTION OF 25-35 PER CENT OF THE PRESENT AFFINITY GROUP FARES. IN CASE THIS WOULD BE CONSIDERED PRACTICAL, FINNAIR WOULD BE PLEASED TO PRESENT THE CASE IN FULL TO THE AUTHORITIES. END QUOTE.

9. COMMENT: ALTHOUGH THE EMBASSY HAS NO WAY OF JUDGING WHETHER FINNISH TOURIST TRAVEL TO THE UNITED STATES WOULD DROP BY 65 PER CENT OR MORE IF THE CHARTER FARE LEVEL WERE INCREASED BY 77 PER CENT, IT IS CLEAR THAT, GIVEN COMPETING TRAVEL ATTRACTIONS AND GENERAL LEVEL OF DISPOSABLE INCOME HERE, THERE WOULD BE TREMENDOUS DECREASE IN THE NUMBER OF FINNISH TOURISTS VISITING THE UNITED STATES. WE KNOW THAT LAST YEAR ABOUT 6,000 FINNS VISITED THE UNITED STATES ON CHARTER FLIGHTS ARRANGED BY FINNISH-AMERICAN SOCIETY AND BELIEVE THAT MOST OF THESE WOULD NOT GO AT 77 PER CENT HIGHER FARES. THIS IN TURN WOULD HAVE SERIOUSLY DAMAGING EFFECT ON SOCIETY ITSELF AS MOST OF ITS MEMBERSHIP IS INITIALLY ATTRACTED BY THE CHARTER FLIGHT PROGRAM AND MOST OF ITS INCOME IS DERIVED THEREFROM. SUPPORT OF THE SOCIETY IS ONE OF THIS MISSION'S MAJOR OBJECTIVES. HIGHER CHARTER FARES WOULD EVEN REDUCE THE NUMBER OF BUSINESSMEN/BUYERS VISITING, SINCE A CERTAIN PROPORTION OF THEM TRAVEL IN GROUPS TO TRADE FAIRS AND THE LIKE ON CHARTER FLIGHTS. AN UPCOMING EXAMPLE IS GROUP OF LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 HELSIN 01545 02 OF 02 081451Z

MORE THAN HUNDRED FINNISH BUSINESSMEN AND INDUSTRIALISTS WHO WILL BE ATTENDING THE CHICAGO MACHINE TOOL SHOW NEXT MONTH, TRAVELING AS AN AFFINITY GROUP, IN THIS CASE A PANAM CHARTER. TRAVEL TO THE UNITED STATES PAID FOR BY THE TRAVELER IS AN EXTREMELY IMPORTANT ELEMENT IN

ACHIEVING THE GOALS OF THIS MISSION IN THE AREA NOT ONLY OF PROMOTION OF U.S. EXPORTS BUT ALSO IN THE LESS TANGIBLE ONE OF ACQUAINTING FINNS WITH AMERICA THROUGH PERSONAL EXPERIENCE. WHILE THE INTERNATIONAL VISITOR PROGRAM OF THE UNITED STATES GOVERNMENT IS IMPORTANT, ESPECIALLY AS IT IS FOCUSED ON KEY LEADERS IN VARIOUS FIELDS, MUCH IS GAINED ALSO FROM THE TRAVEL OF FINNISH CITIZENS WHO GO TO AMERICA AT THEIR OWN EXPENSE FOR A VARIETY OF REASONS. MANY OF THESE WOULD BE DETERRED BY MATERIAL INCREASE IN PRESENT FARE LEVEL. WE THEREFORE STRONGLY SUPPORT CONTINUATION OF EXISTING POSSIBILITY FOR FINNS TO TRAVEL IN GROUPS TO US AT VERY SUBSTANTIALLY LOWER COSTS THAN REGULAR FARES AND URGE SYMPATHETIC U.S. CONSIDERATION OF FINLAND'S SPECIAL PROBLEMS IN THIS AREA.

WHITE

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AIRLINES, AIR FARES, SUPPLEMENTAL AIRLINES
Control Number: n/a
Copy: SINGLE
Draft Date: 08 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974HELSIN01545
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740217-0225
From: HELSINKI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740865/aaaacdin.tel
Line Count: 292
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 17 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 APR 2002 by martinml>; APPROVED <24-Sep-2002 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FINNAIR PRESSING FOR CONTINUATION OF LOW CHARTER RATES TO US
TAGS: EAIR, US, FI, FINNAIR
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005